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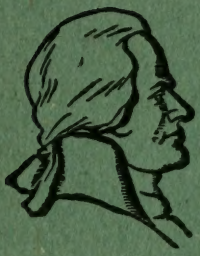
SELLING IN FOREIGN MARKETS

By WELDING RING



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Selling in Foreign Markets

By
WELDING RING
Chairman of the Executive Committee of the
New York Chamber of Commerce

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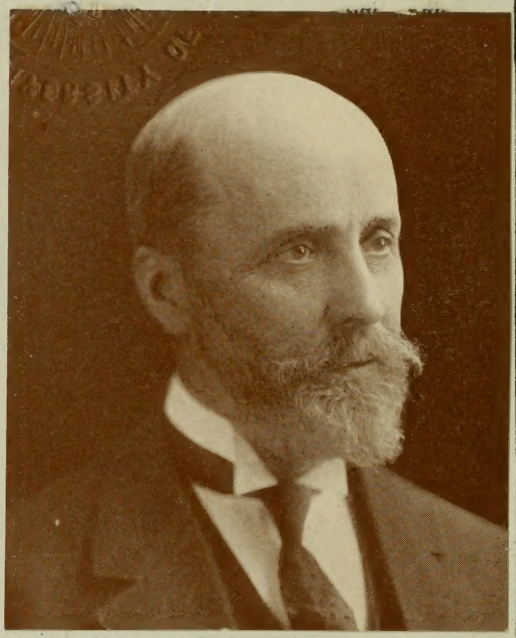

WELDING RING

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Welding Ring was born in Cornwall, Orange County, New York, February 22, 1846, and was graduated from West Town (Pa.) Seminary in 1861. Three years later he began his business career in an importing house and ever since has devoted his business activities to the field of foreign trade. After spending a year in the importing establishment, Mr. Ring spent several years in the grain and flour commission business and subsequently engaged in exporting to Australia, New Zealand, South Africa and countries of Europe. He personally visited all these countries as well as China, Japan and the East Indies, and studied their trade problems at close range.

Mr. Ring is a member of the exporting firm of Mailler and Quareau. He is also Vice-President of the United States and Australasia Steamship Company, Chairman of the Executive Committee of the New York Chamber of Commerce, Director of the Battery Park National Bank and member of the Produce and Maritime Exchanges.

Mr. Ring has frequently appeared as a speaker and writer upon subjects of interest to those engaged in foreign trade.

NOTE:—This Lecture, which is based upon the author's ripe experience in his special field, should be read in the light of the Modern Business Text, and should be studied as an authoritative message from the field of present-day business activity.

Selling in Foreign Markets

By

WELDING RING

Conditions everywhere have changed so radically during the last few years that it is almost impossible to follow them step by step. The trade of the United States has developed rapidly in practically all those parts of the world that are not actually within the war-zone. With the shutting off of supplies from countries where they were formerly obtained, such as England, France, Germany and Italy, it has become necessary for buyers from other parts of the world to come to the United States for the placing of their orders.

The export demand has increased many fold, and has been limited only by the ability of manufacturers and producers to meet the requirements of all these markets. In fact, in many lines and at different times it has been impossible to place orders with any degree of certainty that they would be filled within a reasonable time. When the United States Government demanded first call on every product necessary for war requirements, the result was that merchants' orders had to take second place. This priority cov-

ered all crude products as well as manufactured articles, and extended very largely to agricultural products, including meats of all kinds.

It has not been difficult of late for American manufacturers to secure foreign trade. Buyers have been so anxious to get their orders filled that they have been willing to pay almost any price. Manufacturers are loaded up with business for a long time to come, and it will probably take years after the war is ended before business can be put into anything resembling a normal condition.

Demand for American-made Goods

Naturally, as the result of war conditions, American goods have come rapidly to the front, and are becoming favorites in markets where formerly it had been almost impossible to introduce them. In part this was a matter of necessity; yet in many instances buyers have found that the American goods were not only the equal of those produced in other countries, but distinctly superior to them. The figures of our export trade are now so large that already it is almost impossible to comprehend them; yet they continue to grow. While our import trade has also improved to a large extent, its growth does not approach in volume that of our export trade.

This continued demand for our manufactured goods has necessarily placed American manufacturers in a very advantageous position, and as a rule they have shown their realization of the fact that they have become the world's suppliers by their endeavor to

make the goods of the best materials and attractive to the buyers as well as to the ultimate consumers.

With such abundance of crude materials, iron, steel, wood, paper, etc., the advantages enjoyed by the United States are very great. It has, moreover, the advantage of possessing large supplies of fuel, both coal and oil, for turning its crude products into finished articles. Added to this is the water-power in the United States which, tho larger than that of any other country, so far has been utilized only in a very limited way. The future possibilities of this power are beyond calculation.

As against this prosperous condition—probably as a result of it—the price of labor has advanced rapidly to a point where it is higher than ever before in the United States, and therefore greatly in excess of that of other countries. When the supply of labor became insufficient to meet the existing demand, production necessarily became limited in a proportionate manner. In view of the increased development of new factories, it is probable that the demand for skilled labor will continue to exceed the supply for a period of years to come.

Inland transportation in the United States has in the past been relatively very cheap; but the increased cost of labor and materials—in fact, of everything that is used in transportation—will undoubtedly force higher rates on our railroads, and thereby increase the delivered cost of goods at the seaboard.

No one could have foreseen a few years ago the wonderful development in this country of the shipping trade; yet this trade is as yet merely in its infancy. War necessities forced the Government to encourage the building of tonnage to the fullest extent of available labor and materials, and it is at least probable, as a result of this ship-building activity, that eventually the United States will rank not merely as the second maritime nation of the world, but as the first. Under these conditions it is to be expected that our tonnage will visit all parts of the world, so that if any one has a preference for shipping under the United States flag, he will find no difficulty in doing so at rates in competition with those of the ships of any other country.

There is a widely mistaken view on the part of many with regard to the shipping that enters and leaves our ports. Many believe that such shipping properly belongs to this country, and that we should not pay tribute to the shipping of any other nation. As a matter of sentiment, this may be entirely proper, but with regard to the development of trade it is obviously a matter of indifference under what flag our goods are transported, provided the freight-rates are sufficiently low to permit our shippers to compete with those of other countries. I consider it unwise and probably unnecessary to discuss here at length this phase of the subject, but I desire to place it clearly before our manufacturers and exporters gen-

erally, that the question of the flag does not enter into the matter of securing American trade in foreign countries.

The Merchandise

To meet the ever-increasing stream of our European competition certain fundamental conditions are important, and must be kept constantly in mind by the American manufacturer and exporter. Among the first of these is that the merchandise be manufactured of the very best materials, and in a thoroly workmanlike manner. It must be carefully assembled and securely packed for transportation. Every case or implement should bear upon it the legend, "Made in the United States", and this should be equivalent to a guaranty that the article is first-class in every respect.

To think, as some have done, that the way to secure foreign trade is to manufacture cheap lines of goods at low cost with the expectation of underselling, and thus driving out of the market the goods of other countries, is a great mistake. A small attempt of that sort will speedily convince any manufacturer that there is no money to be made in trying for business on such a basis. All articles produced should be carefully finished, so that when they are displayed, whether for purposes of exposition or for actual use, their general appearance will be attractive. The foreign buyer likes to see an article superior in appearance as well as in quality, just as does his brother on this side of the ocean.

In addition, manufacturers in the United States must learn that it does not necessarily follow that because their goods satisfy trade demands in this country, they will also be found satisfactory to those of other nations. If we are to try successfully for foreign trade, we must employ the same care in cultivating buyers abroad as we do in cultivating buyers at home, namely by endeavoring to please them. It is important to remember that people abroad must not be expected to change their ideas and their methods every time a new article is offered them. It is a commonly recognized fact that our people are always ready to take up anything that is new or that is an improvement upon old methods or styles; but this is not always true of the people in other countries. Their habits and prejudices are frequently very strong, so that many of their buyers are well content to continue buying what they have always bought, and frequently insist upon this, even tho new and decidedly superior goods may be available. To educate such buyers to a change of desire is usually a long, tedious, and often unsatisfactory process—frequently it cannot be done at all. Therefore, it is generally better to try to please them by meeting their requirements, provided, of course, that to do so does not impair the character or detract from the value of the goods we produce.

To illustrate this point, let us take the article of gas pipe and tubing: For many years the principal production of this line was in England and Scotland, and the threads that unite the foreign pipe and the

couplings that connect it are all based on what is known as the Lloyd & Lloyd thread. In this country, since the manufacture of this line has grown to such a large extent, we have adopted what is known as the American thread. The difference between the two is so slight that it is hardly perceptible; yet it is sufficient to prevent the tubes from joining, and to destroy, therefore, the usefulness of the couplings. Since many foreign countries have been accustomed to importing the English and Scotch pipe, they are carrying large supplies of it, and it would be useless to send out from this country pipe cut with the American thread. It would not match, and would simply require re-cutting at a heavy cost. The principal manufacturer of pipe in this country, long since realizing this important necessity, adapted his works so that he can cut the pipe with the English thread whenever it is required to do so. The result has been an enormous growth in his export trade, with the prospect of still greater growth in the near future.

Packages of Proper Sizes

Manufacturers must also be prepared to put up their goods in packages of the size usually sold in the countries to which they are exporting. In the United States we employ the decimal system of tons and pounds. English countries use the old system of tons, cwts., quarters and pounds, and all such countries are accustomed to selling their goods according to that system. To try forcing them to use the decimal system would merely result in our failure to se-

cure their business. Sizes, gauges and weights must be made to conform to those that have been established thru long use in the countries with which we are developing trade. To some of our manufacturers who are doing a large trade in this country, these may seem minor items; nevertheless, they are essential and of great help to our salesmen and agents in competition with other sellers.

Banking Connections

Owing to war conditions, our banking connections have changed radically. Prior to the war, by far the greater portion of our foreign business was transacted under credits issued by England, France and Germany, to which countries we had to pay tribute in order to receive payment for our goods shipped to no matter what part of the world. The operation was a three-cornered one; goods were being shipped from this country to foreign ports in South and Central America, Australia, South Africa, China, Japan and India, and paid for by means of drafts drawn in the currency of those countries or in that of England. These drafts passed thru the European money centers to be presented for payment to the buyers in foreign lands. This process involved paying a tribute to the various banking institutions that issued these credits, and was a handicap to business from the United States. As the war practically closed all these avenues for credit, with the exception, in a limited way, of England, it became necessary to introduce new methods. A number of our large finan-

cial institutions immediately made arrangements for establishing branches or agencies thruout foreign countries, particularly in South America, Central America, China and Japan, but also to a limited extent in some of the countries of Europe. One of the cardinal principles of this new movement was that business should be done on a dollar basis; and while at first it was found very difficult to introduce this system, inasmuch as buyers were wedded to old-time methods, yet the United States is gradually coming into its own, and the dollar is becoming as well known abroad as is the pound and the franc.

It is as yet too early to predict the full extent of success that will attend this movement, but in view of the large amount of capital available in the United States, the necessity for using this capital in developing our foreign trade, and the impossibility of getting funds from any other source, everything seems to indicate that our foreign financing is a fixed fact, and that not only will the merchandise part of the business in the United States continue to advance with rapid strides, but also our banking facilities will be extended so as to provide for this increased trade wherever needed. These facilities are necessarily of greater importance to the United States in its trade with foreign countries than they would be in domestic trade, and it is believed that the wisdom of our bankers and financiers will be able to cope with any competition that may develop after the war.

While, as a direct result of the war, conditions have changed somewhat, so that it does not now require so much effort as formerly to induce foreign buyers to purchase American goods, yet it will not do for the United States to rest secure in its ability to hold this trade unless our young men are thoroly equipped, both by education and by experience, in the home office, before they are sent out to other countries to take what often is so willingly given. Employers must keep in mind that inasmuch as the American young man prefers to live in America where he may enjoy the advantages that this country affords, only a liberal inducement will make him willing to spend some of his best years in foreign lands. This country might do well to adopt the system so well carried on in England and Germany, where young men are given this special education, then sent abroad for a period of years to assist in the establishment of foreign connections and ultimately brought home to fill positions in the main office. It would be a constant inducement to the young American if he were made to feel that his efforts were being appreciated while he was building up trade in foreign lands, and that there was a fair probability of his coming back to the land of his birth to take up the duties and responsibilities of the home departments.

It is very necessary to their success that these young men should become thoroly acquainted with the lines which they expect to represent. Unless a traveler is

constantly in the field, he cannot very well know all the prevailing conditions. There may be certain lines of manufactured specialties for the sale of which he would be well fitted, and for which, by exclusive application, he could make more rapid progress than would be possible if they were sold thru a general commission house. This, however, applies only to a few lines, the bulk of our foreign trade being secured by commission houses thru their representatives in the field.

Credits

On the outbreak of the war some of the foreign countries expected that the United States would promptly take the place of England, Germany, France and Belgium in affording long-time credits to their customers. This idea was quickly dissipated, however, when it became generally known that the merchants of the United States were not disposed to give these long extensions of credit, but, on the contrary, insisted that business abroad must be conducted—at least in a degree—on the same credit lines as in this country. Foreign buyers urged that they could not continue their business on such a basis, and that they required the old-time credits of six, nine and twelve months in paying for the goods bought. A general movement took place among exporters with a view to reducing this time materially; and at the present time most foreign business is conducted on the basis of thirty, sixty or ninety days from the date of draft. This gives ample time for the goods to arrive at the

port of destination and for the buyer to prepare himself for payment of the draft. If he is not in sufficient credit to take up the exporter's draft, then such credit should not be extended to him by houses in the United States. Quite naturally, the development of this movement was not without difficulty, but the plan is becoming so well known and so firmly established in practice that only rarely do buyers ask for long-time credits. When they do, they are, as a rule, refused.

Consular Service

The United States Government had developed a new department for sending out its representatives to cover the foreign field, seeking information as to trade requirements that could be filled from this country, and keeping the home Government advised as to the ways and means of conducting this trade. A very great improvement was noticed in the caliber of the men sent abroad, who, as a rule, were chosen for this work by reason of their experience in private business. They were men of character and standing. Unfortunately, owing to the exactions of war conditions, most of these representatives have been withdrawn, so that at present there is very little representation of this sort in foreign fields. It is greatly to be hoped that Congress will soon reinstate this department which proved of so much value and which will undoubtedly prove still more valuable after the war.

Looking Forward

If one could forecast the future, even for the next few years, it would be found to be full of interesting events. Conditions change so rapidly, however, that any prophecy made today might be discounted entirely a month hence. No one can predict with certainty what the future holds in store for trade generally. Of one thing we may be sure, however, namely, that the commanding place now obtained for this country thruout the world will be maintained, no matter what future conditions may be. We have gained wonderfully in experience and have increased our ability in like manner as a result of the war, and our manufacturers, suppliers and financiers are wide awake to the trade possibilities of this country. There can be no question about their ability to accomplish their desire in that respect.

The future of our foreign trade will, of course, be governed largely by the demand created for our goods; but we are certain to get our full share of such trade, and probably a larger share than any other country. If we are wise enough to cultivate our friends abroad by giving them everything that is fair and reasonable in the way of credits, by supplying goods that are of the best material and workmanship, by giving prompt attention to all orders so that shipments may be made at the earliest possible date, and by keeping our foreign customers informed as to what is being done for them, the good-will of our foreign friends will undoubtedly be maintained and increased.

Summary

The building up of foreign trade is not the work of weeks or months, but of years. It can be accomplished only by consistent efforts persistently maintained. Methods may be adopted that will materially hasten that achievement and these should be duly considered if best results are expected.

To summarize briefly, the following are some of the requirements:

FIRST: Goods should be of first class materials and manufactured in a superior manner. The standard, once established, should be firmly maintained.

SECOND: The requirements and preferences of foreign buyers should be carefully studied and, whenever possible, these should be complied with.

THIRD: Regularity of supply must always be considered, since a distant market cannot wait too long for the receipt of goods.

FOURTH: Business abroad should be cultivated thru established commission houses familiar with local conditions, unless in the instance of special lines of sufficient volume to warrant the manufacturer's personal application to marketing them.

FIFTH: Credit and the standing of buyers, both from a financial and a moral viewpoint, must be of early consideration if the seller is to avoid serious losses.

SIXTH: Due efforts on the part of manufacturers and commission houses, with a view to putting our foreign public service on the highest plane, are constantly necessary.

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